

# *Financial results – first half 2019*



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# Agenda

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# Executive summary: Difficult first half; net profit down 24% from H1 2018 and 2019 net profit outlook lowered to DKK 13-15 bn



**Loan growth of 3% y/y**, driven by growth of 6% y/y at Banking Nordic and 1% y/y at Banking DK, however, growth is at lower margins



**Trading income** significantly lower due to challenging market conditions, which are expected to persist in the second half of the year



**Expenses** up 12% y/y due mainly to upstaffing and investments in compliance and AML-related activities, as well as the compensation related to the Flexinvest Fri matter



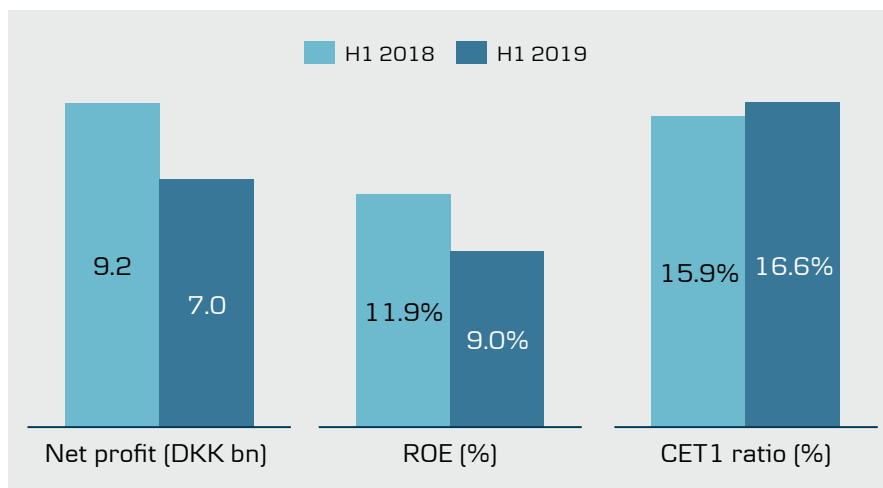
**Management** to come back later this year with an update on initiatives to improve longer-term performance

**DKK 7.0 bn** Net profit, down 24% from H1 2018 due to lower NII, higher expenses and higher loan impairment charges. H1 2019 includes gain on sale of Danica Pension Sweden (DKK 1.3 bn)

**9.0%** Return on equity after tax, including gain on sale of Danica Pension Sweden

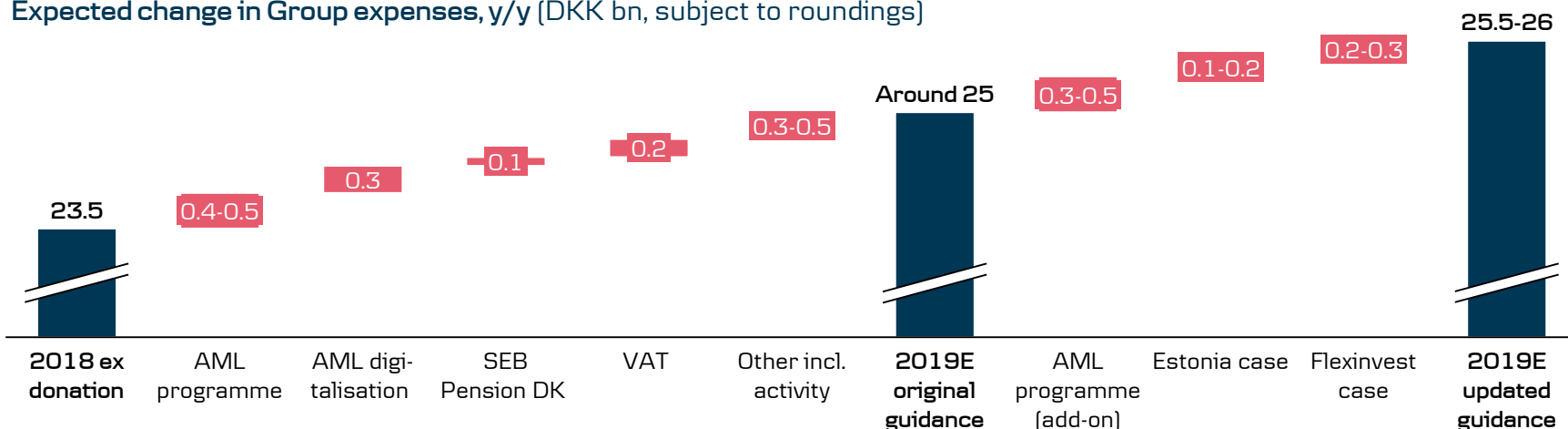
**16.6%** CET1 capital ratio - total capital position still strong

**DKK 13-15 bn** Expected net profit for 2019, and expenses of DKK 25.5-26 bn, as announced on 8 July 2019



# Increase in costs – driven largely by upstaffing and accelerated investments in AML activities

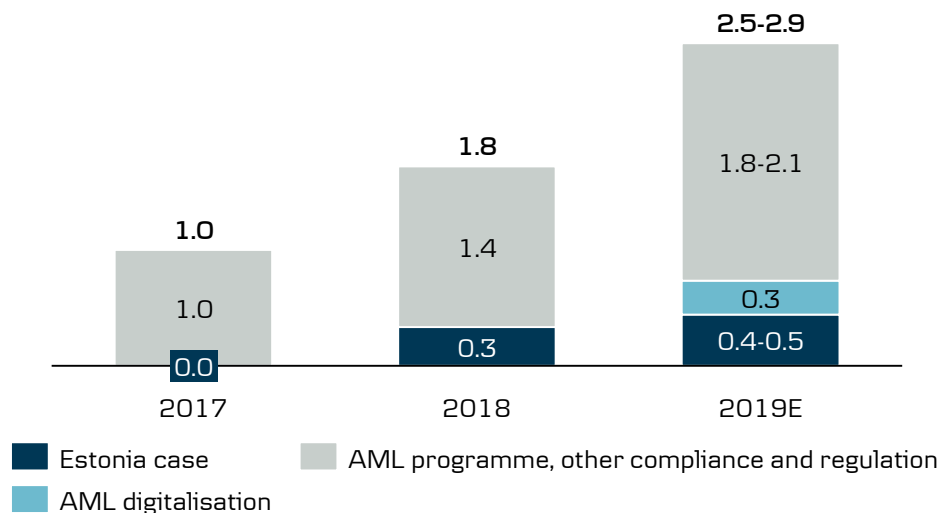
Expected change in Group expenses, y/y (DKK bn, subject to roundings)



## Key points

- Including the costs for handling the money-laundering case in Estonia, compliance-related costs have increased significantly since 2017
- The total cost of all compliance-related activities, including the Estonia case, is expected to amount to around DKK 2.5-2.9 bn in 2019
- More than 1,900 FTEs now work with AML activities across the organisation
- While costs for AML have significantly increased, costs for other regulatory agendas such as GDPR, MiFID II etc. have decreased in 2019 so far

Expenses for compliance-related activities (DKK bn)



## *Digitalisation and automation of core AML processes will increase accuracy and reduce labour-intensive tasks going forward*

Short-term investments: Upstaffing across AML functions in the Group, including strengthened 1<sup>st</sup> and 2<sup>nd</sup> lines of defence

Long-term investments: Digitalisation of core AML processes and automation of ODD in low to medium-risk segments

### Know Your Customer

- Digitise onboarding journey, including digital upload of customer information vs. manual collection
- Automation of KYC processes to enhance the accuracy and reliability of KYC information
- Leveraging technology to improve the customer experience and reduce reliance on labour intensive or manual processes

### Ongoing Due Dilligence

- Automated ODD solution developed for a portion of low-risk customers across the Nordics - currently in pilot phase
- Other risk category customers (low, medium and high) still mostly manually processed
- Tools are being developed to cover a larger number of customers, for more effective case processing

### Transaction monitoring

- Investments in tools for contextual analysis to monitor complex products for improved detection of suspicious behaviour
- Advanced solution developed and under implementation for selected Markets products => broader coverage expected over the year
- Investing to improve the current transaction monitoring system, e.g. to increase efficiency and quality

# Net profit: DKK 7.0 bn, down 24% from H1 2018, including DKK 1.3 bn gain on sale of Danica Pension Sweden

## Income statement and key figures (DKK m)

	H1 2019	H1 2018	Index	Q2 2019	Q1 2019	Index
Net interest income	10,890	11,824	92	5,371	5,520	97
Net fee income	7,570	7,547	100	3,701	3,869	96
Net trading income	2,128	2,502	85	829	1,299	64
Other income	1,745	461	-	1,630	115	-
Total income	22,333	22,334	100	11,532	10,802	107
Expenses	12,824	11,400	112	6,679	6,145	109
Profit before loan impairment charges	9,509	10,934	87	4,852	4,657	104
Loan impairment charges	470	-707	-	113	357	32
Profit before tax, core	9,039	11,641	78	4,739	4,300	110
Profit before tax, Non-core	-270	48	-	18	-288	-
Profit before tax	8,769	11,689	75	4,757	4,012	119
Tax	1,749	2,499	70	725	1,024	71
Net profit	7,020	9,190	76	4,031	2,988	135
Return on avg. shareholders' equity (%)	9.0	11.9		10.5	7.7	
Cost/income ratio (%)	57.4	51.0		57.9	56.9	
Common equity tier 1 capital ratio (%)	16.6	15.9		16.6	16.7	
EPS (DKK)	7.8	9.8		4.5	3.3	
Lending (DKK bn)	1,809	1,748	103	1,809	1,793	101
Deposits and RD funding (DKK bn)	1,711	1,659	103	1,711	1,661	103
- of which deposits (DKK bn)	932	927	101	932	909	102
Risk exposure amount (DKK bn)	762	754	101	762	758	100

## Key points, H1 2019 vs H1 2018

- Return on equity of 9.0%
- NII down 8% due mainly to margin pressure and higher funding costs
- Fee income unchanged due to the SEB Pension Danmark acquisition
- Trading income down 15% in difficult rates market conditions
- Expenses up 12%, due mainly to upstaffing and investments in compliance and AML activities
- Impairment charges driven by C&I

## Key points, Q2 2019 vs Q1 2019

- NII down 3%, despite extra day, due to margin pressure and higher funding costs - lending up 1%
- Fee income down 4%, due mainly to Flexinvest Fri compensation of around DKK 180 m
- Other income includes gain on sale of Danica Pension Sweden of DKK 1.3 bn
- Expenses up 9%, including around DKK 220 m in Flexinvest Fri compensation

# NII: Down 8% y/y due to margin pressure, higher funding costs and transfer to Non-core

## Key points

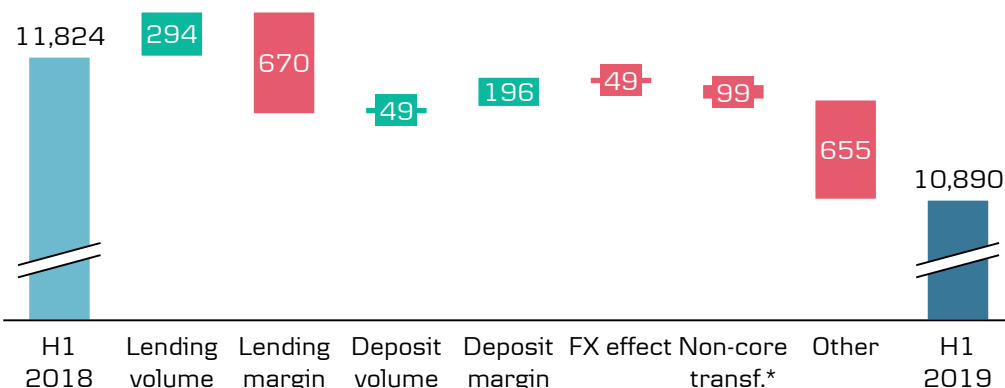
### Y/Y

- NII down 8%, as lending growth of 3% was offset by lower lending margins, higher funding costs and the transfer of Russian and remaining Baltic exposures to Non-core

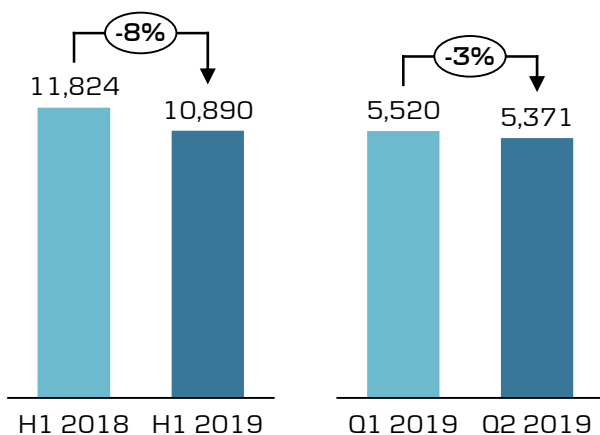
### Q/Q

- NII down 3% despite extra day due to lower lending margins and higher funding costs

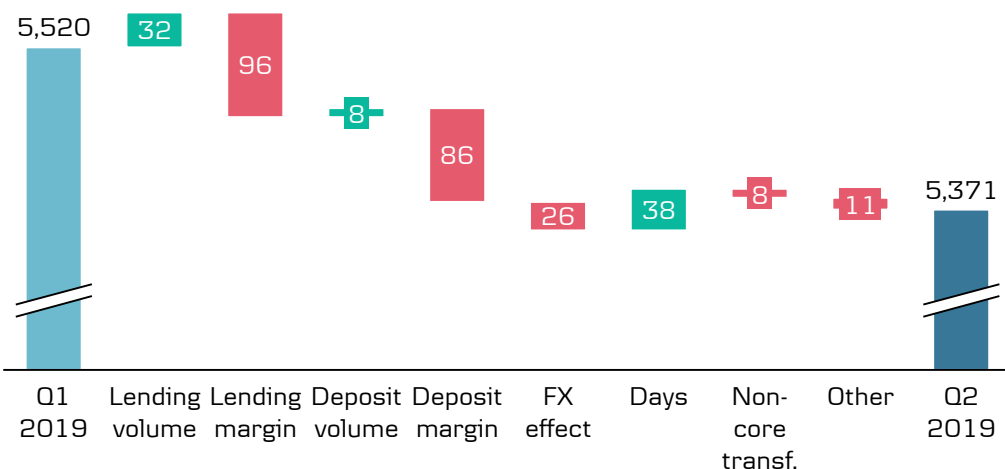
## Change in net interest income, y/y (DKK m)



## Group net interest income (DKK m)



## Change in net interest income, q/q (DKK m)



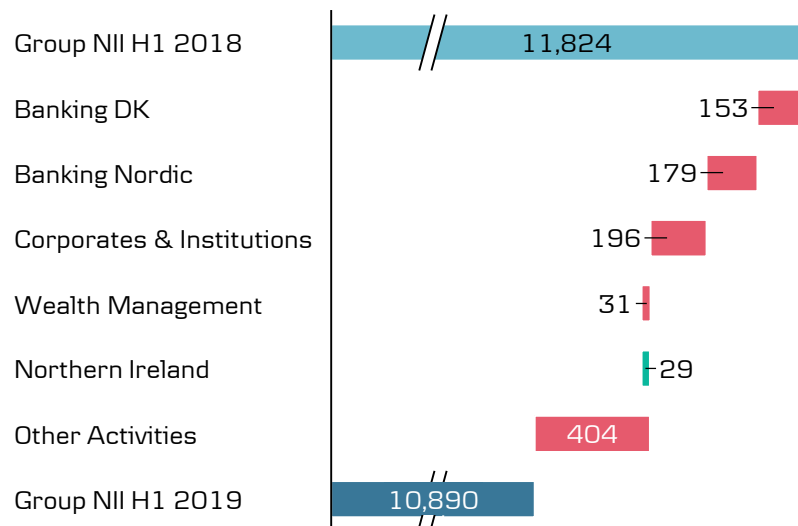
\* Includes transfer of local Baltic commercial customers to Non-core on 1 April 2018 and transfer of the remaining Baltic and Russian exposures to Non-core on 1 February 2019

# NII (cont'd): Volume growth of 6% y/y at Banking Nordic; Banking DK grew 1% y/y

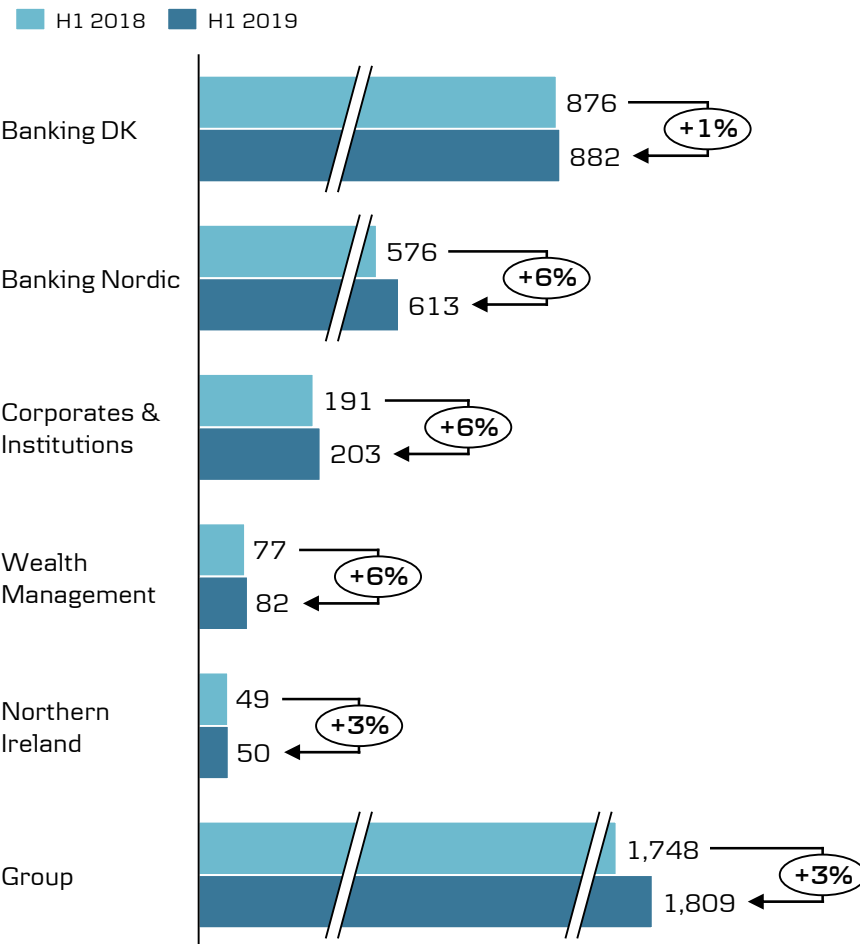
## Key points

- Banking Nordic lending up 6% y/y with growth in all markets
- Banking DK lending up 1% y/y
- NII for Other Activities was impacted by higher funding costs attributable to the Estonia case being retained at the Internal Bank rather than being allocated to business units
- C&I lending impacted by transfer to Non-core in Q1

## Change in NII by business unit (DKK m)



## Lending volume and development\* (DKK billions)



\* Business unit lending is before impairments. Group lending is after impairments.



# Fee income: Flat y/y, as margin pressure and Flexinvest Fri compensation offset benefit of SEB Pension Danmark acquisition

## Key points

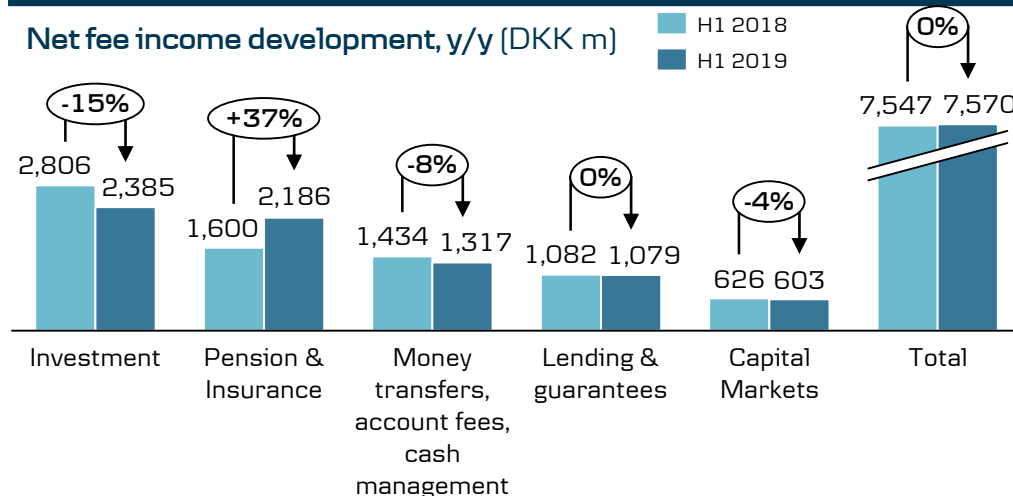
### Y/Y

- Fees unchanged. Fee income benefitted from the acquisition of SEB Pension Danmark, offset by margin pressure and the compensation related to the Flexinvest Fri product of DKK 180 m

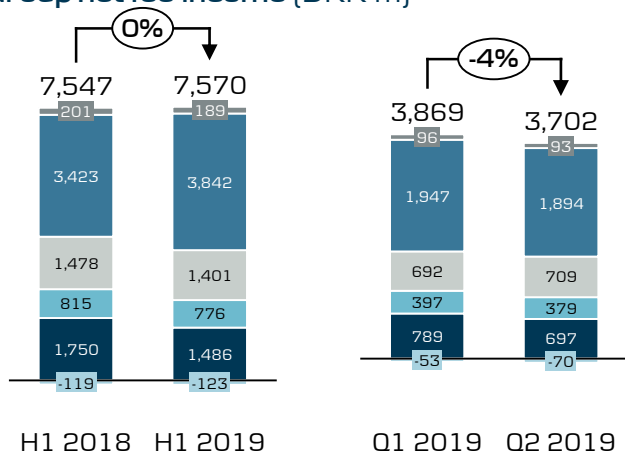
### Q/Q

- Fee income down 4%, affected by the Flexinvest Fri compensation of DKK 180 m, partly mitigated by remortgaging fees
- AuM down 3%, affected by sale of Danica Pension Sweden

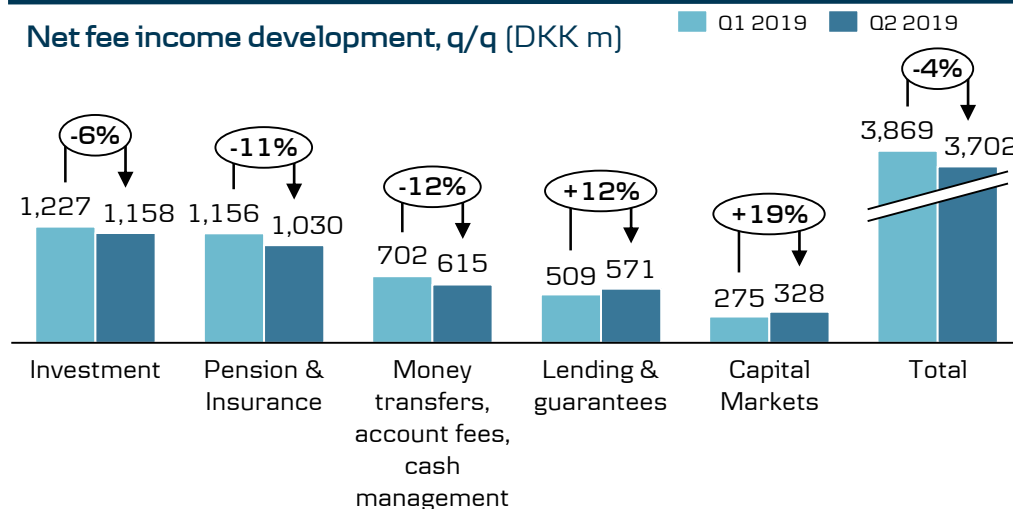
Net fee income development, y/y (DKK m)



Group net fee income (DKK m)



Net fee income development, q/q (DKK m)



■ Banking DK   
 ■ Corporates & Institutions   
 ■ Northern Ireland  
■ Banking Nordic   
 ■ Wealth Management   
 ■ Other Activities

# Trading income: Down 15% y/y and 36% q/q in challenging market conditions

## Key points

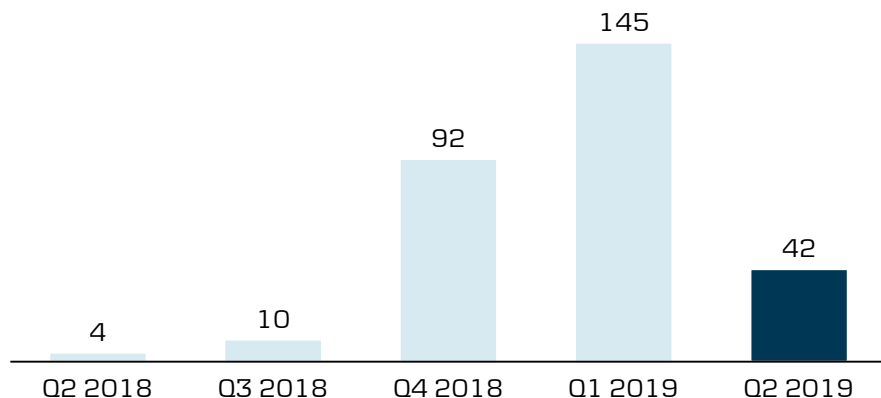
### Y/Y

- Trading income down 15% from H1 2018, reflecting challenging market conditions
- C&I affected by negative value adjustments on derivatives

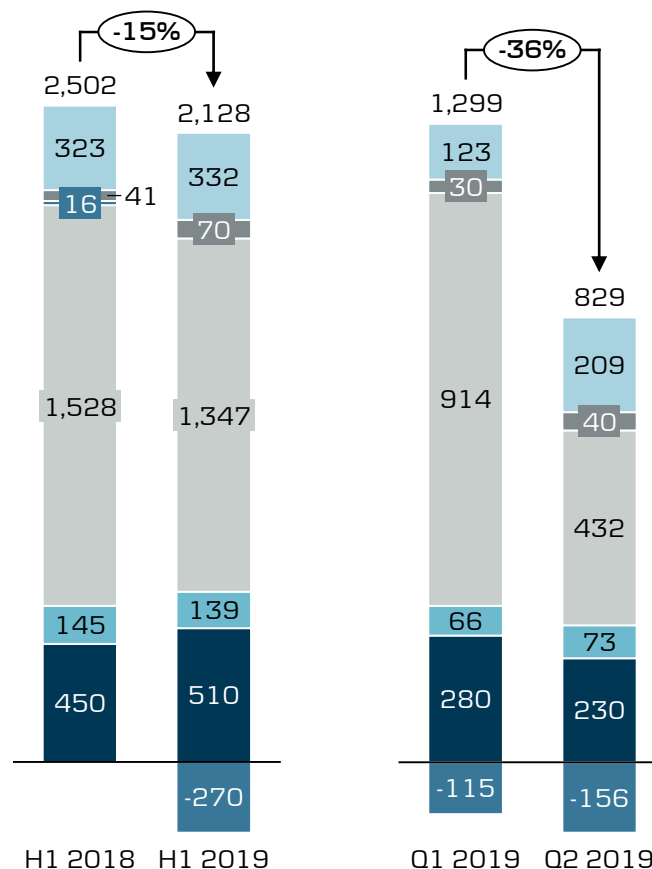
### Q/Q

- Trading income down 36%. Rates markets were adversely affected by a sudden change in expectations towards lower rather than higher interest rates, resulting in low customer activity along with intense margin pressure
- FX markets affected by low volatility and significant margin pressure

## Refinancing income (DKK m)



## Group net trading income (DKK m)



# Expenses: Up 12% y/y due to upstaffing and investments in compliance and AML, 2019 outlook raised to DKK 25.5-26 bn

## Key points

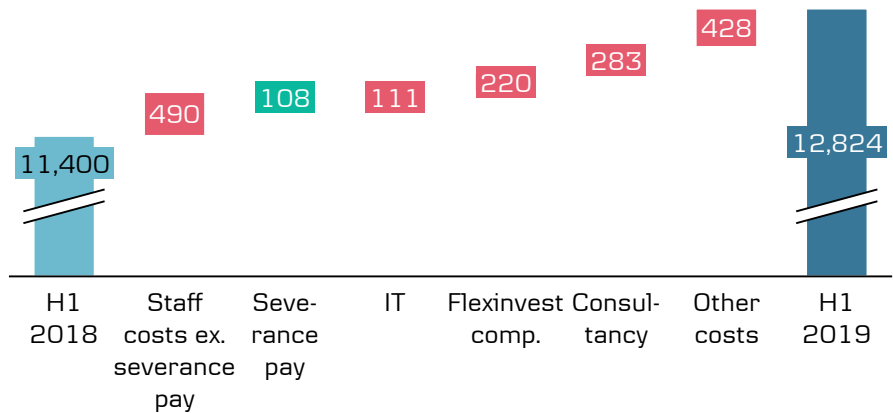
### Y/Y

- Expenses up 12% y/y, due mainly to upstaffing and investments in compliance and AML activities, the Flexinvest Fri compensation and consultancy costs related mainly to the Estonia case

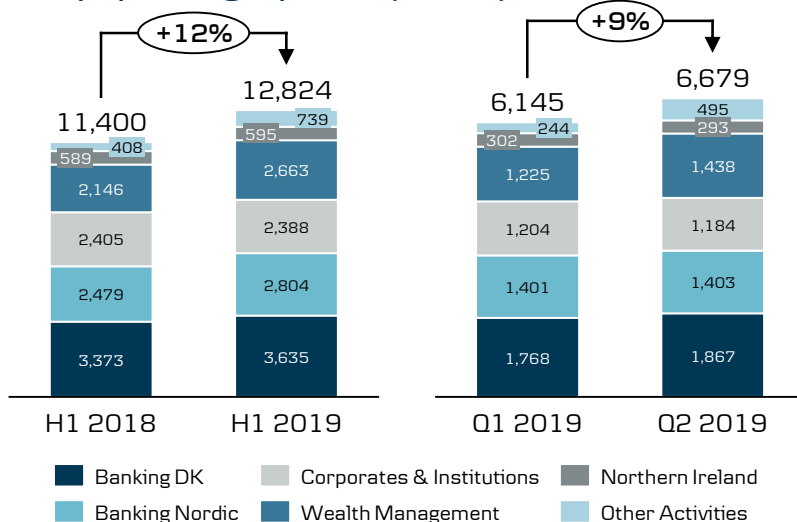
### Q/Q

- Expenses up 9% q/q, reflecting the Flexinvest Fri compensation of around DKK 220m, further upstaffing in the AML area and consultancy costs related mainly to the Estonia case

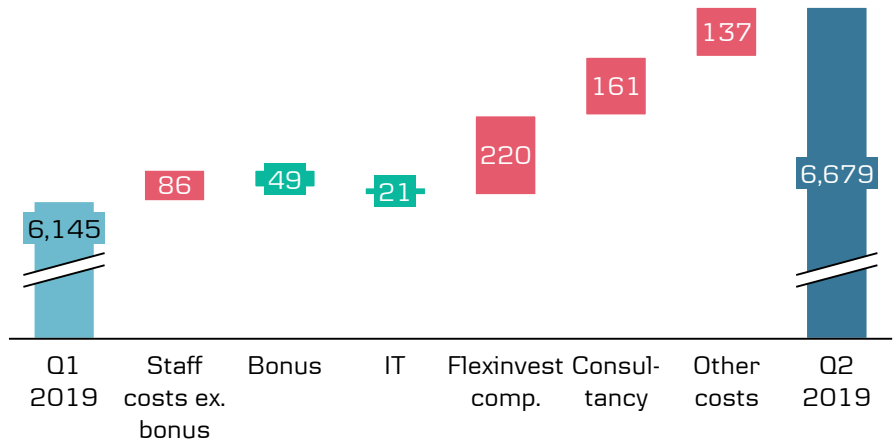
Change in expenses, y/y (DKK m)



Group operating expenses (DKK m)



Change in expenses, q/q (DKK m)



# Impairments: Loan loss ratio of 5 bp in core activities in H1, single-name exposures at C&I drive impairments

## Key points

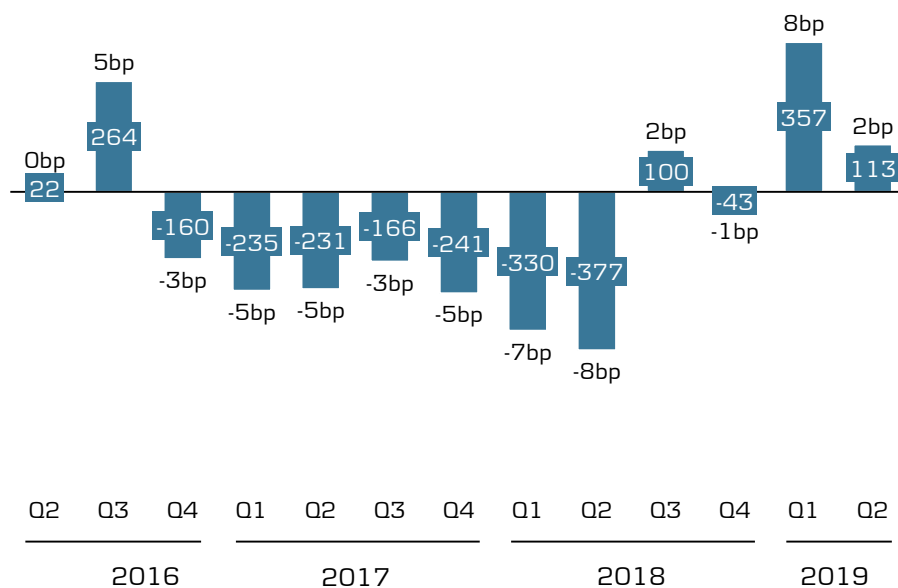
### Y/Y

- Charge of DKK 470 m; core loan loss ratio of 5 bp
  - Impairments at C&I due to single-name exposures in oil and retail
  - Lower reversals on non-performing loans at Banking DK but also charges against agriculture exposure and model adjustments for retail customers

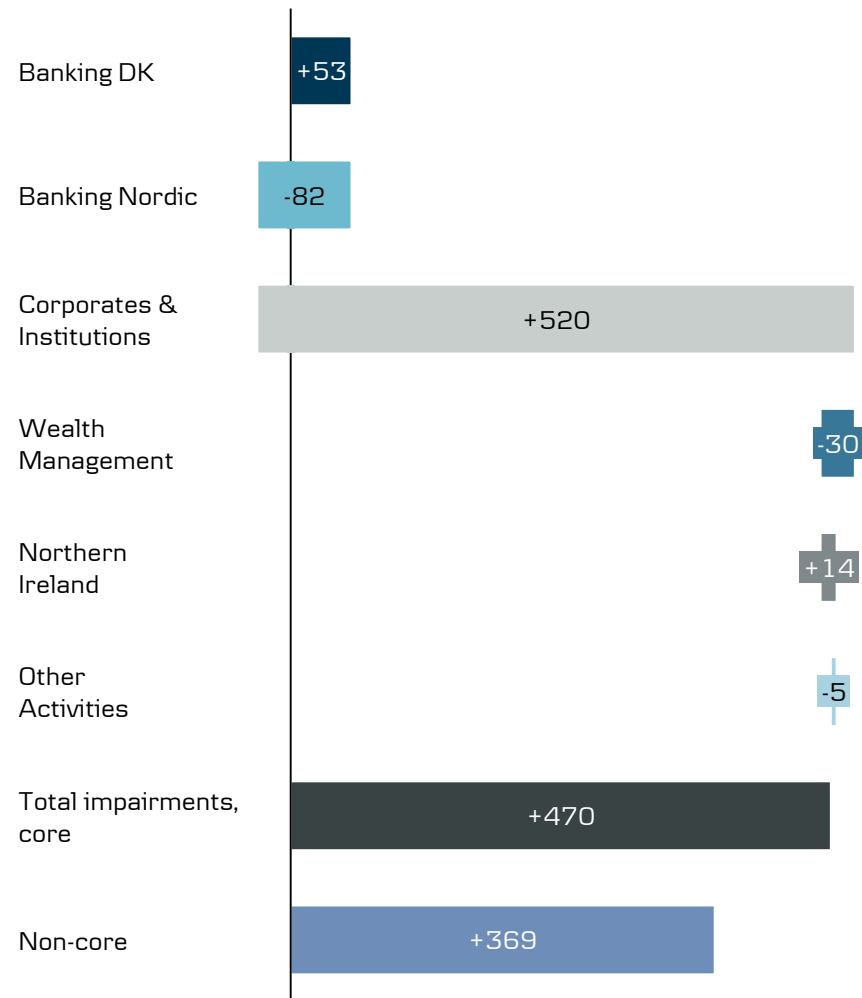
### Q/Q

- Charge of DKK 113 m; core loan loss ratio of 2 bp
  - Impairments at C&I due to single-name volatility

## Impairment charges, core (DKK m and bp)



## Impairment charges by business unit, H1 2019 (DKK m)

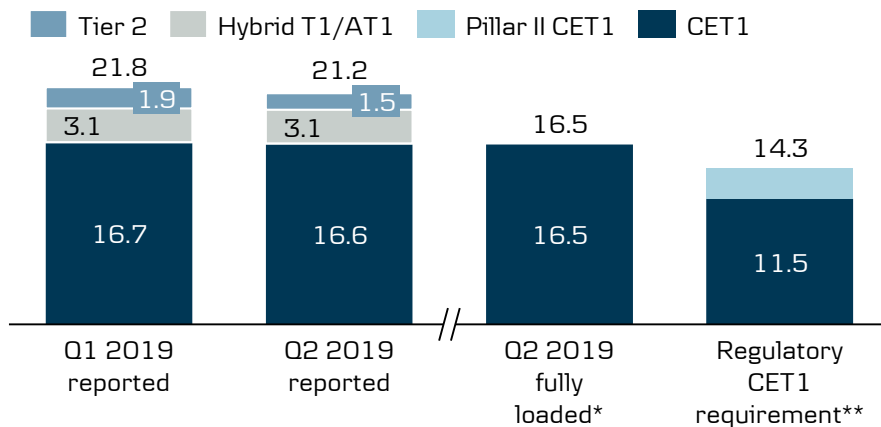


# Capital: Strong capital base; CET1 capital ratio of 16.6%

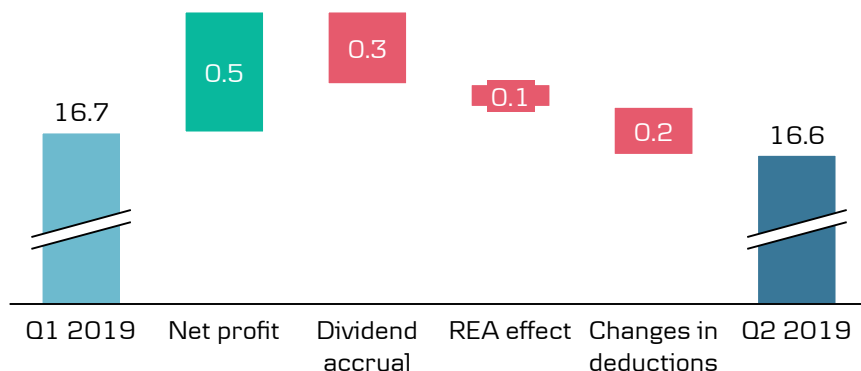
## Capital highlights, Q2 2019

- REA up DKK 4 bn, driven mainly by market risk
- We are in ongoing dialogue with the FSA and expect additional Pillar II add-on in the mid-single-digit billion range
- Regulatory CET1 requirement increased due to higher countercyclical buffer in Denmark and increased Pillar II (model-related)
- Increased deduction for Danica due to volatility adjustments and adjustments related to the merger of Danica and SEB Pension DK
- Unchanged capital targets
- Leverage ratio of 4.4% (transitional rules and fully phased-in)

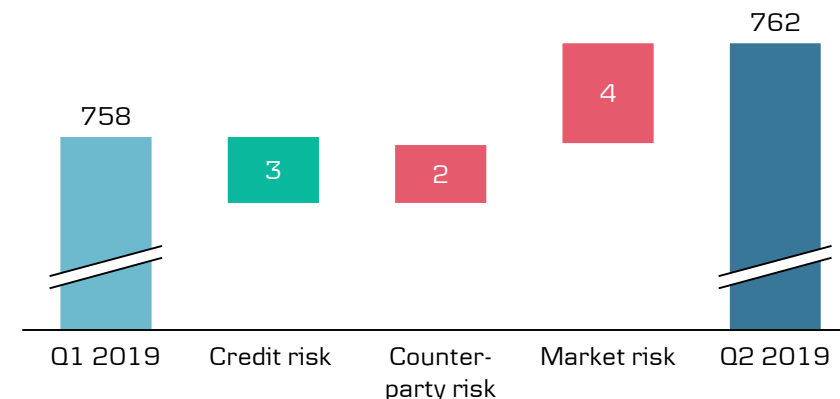
## Capital ratios, under Basel III/CRR (%)



## CET1 capital ratio, Q1 2019 to Q2 2019 (%)



## Total REA, Q1 2019 to Q2 2019 (DKK bn)



\* Based on fully phased-in rules including fully phased-in impact of IFRS 9. \*\* Pro forma fully phased-in min. CET1 requirement in 2019 of 4.5%, capital conservation buffer of 2.5%, SIFI requirement of 3%, countercyclical buffer of 1.5% and CET1 component of Pillar II requirement. Note: Pillar II requirement is not relevant for the purpose of MDA.

## *2019 outlook updated since Q1\*: We now expect net profit in the range of DKK 13-15 bn and expenses of DKK 25.5-26 bn*

### Net interest income

We expect net interest income to be lower than the level in 2018, as volume growth will be more than offset by higher funding costs and margin pressure

### Net fee income

Net fee income is still expected to be higher, due mainly to the effect of the acquisition of SEB Pension Danmark and subject to customer activity

### Expenses

**Updated:** Expenses are now expected to be DKK 25.5-26 bn. The outlook includes costs of DKK 0.3 bn earmarked for AML digitalisation efforts

### Impairments

Loan impairments are still expected to be higher

### Net profit

**Updated:** We now expect net profit for 2019 to be in the range of DKK 13-15 bn

### Financial target

Our long-term ambition is to rank in the top three among major Nordic peers\*\* in terms of ROE

Note: This guidance is subject to uncertainty and depends on economic conditions, including developments in monetary policy at central banks.

\* As announced on 8 July 2019

\*\* DnB, Handelsbanken, Nordea, SEB, Swedbank

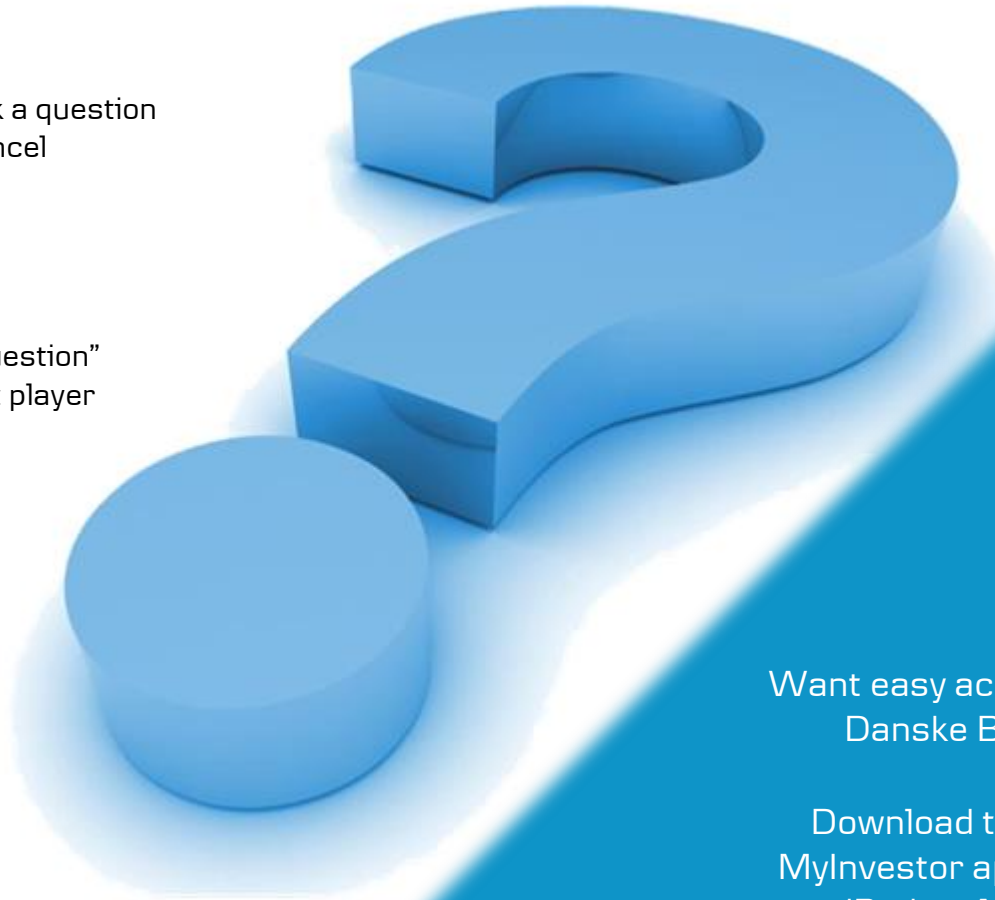
## Q&A session



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# Appendix

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# Banking DK: Lending growth of 1% y/y; higher expenses and impairments

Income statement and key figures (DKK m)

	H1 2019	H1 2018	Index	Q2 2019	Q1 2019	Index
Net interest income	4,305	4,458	97	2,125	2,181	97
Net fee income	1,486	1,750	85	697	789	88
Net trading income	510	450	113	230	280	82
Other income	115	114	101	60	55	109
Total income	6,416	6,772	95	3,111	3,305	94
Expenses	3,635	3,373	108	1,867	1,768	106
Profit before loan impairment charges	2,781	3,399	82	1,244	1,537	81
Loan impairment charges	53	-594	-	-153	206	-
Profit before tax	2,728	3,993	68	1,397	1,331	105
Lending (DKK bn)*	882	876	101	882	882	100
Deposits and RD funding** (DKK bn)	1,052	1,036	102	1,052	1,046	101
Deposits (DKK bn)	294	287	102	294	286	103

Key points

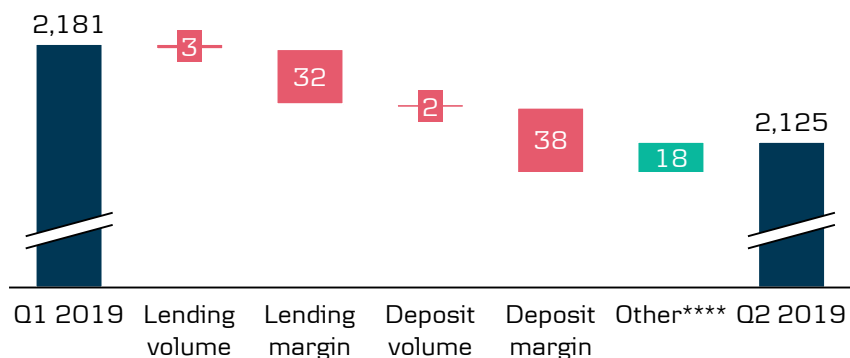
Y/Y

- Total income down 5%
- Expenses up 8% owing mainly to investments in AML activities
- Impairments against agriculture, lower reversals and model adjustments
- Lending up 1%, deposits up 2%

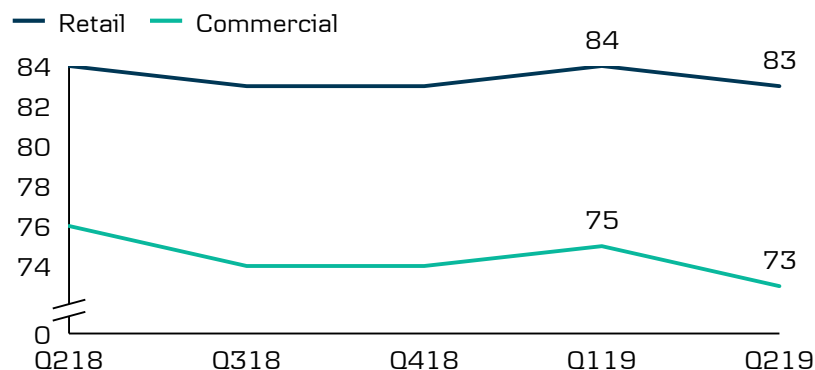
Q/Q

- NII down 3%, reflecting strong competition and lower risk appetite
- Fees impacted by Flexinvest case
- Expenses up 6%, driven by costs for regulatory requirements and compliance

Banking DK NII bridge\*\*\* (DKK m)



Realkredit Danmark lending spread (bp)



\* In Q2, a portfolio of loans was transferred from Banking DK to Wealth Management. At 31 March 2019, this amounted to a net impact of DKK -3 bn at Banking DK \*\* Before the elimination of the Group's holding of own covered bonds. \*\*\* Based on average volumes. \*\*\*\* Includes capital costs, day effect and off-balance-sheet items.

# Banking Nordic: Lending growth of 6% y/y but higher interest rates in Sweden and Norway squeezed margins

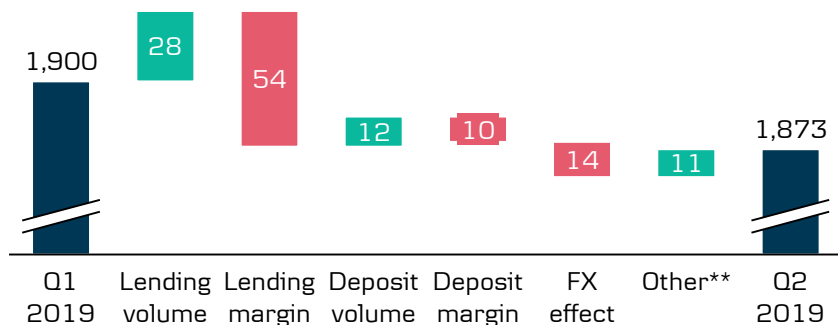
Income statement and key figures (DKK m)

	H1 2019	H1 2018	Index	Q2 2019	Q1 2019	Index
Net interest income	3,774	3,953	95	1,873	1,900	99
Net fee income	776	815	95	379	397	95
Net trading income	139	145	96	73	66	111
Other income	322	378	85	168	155	108
Total income	5,011	5,290	95	2,493	2,519	99
Expenses	2,804	2,479	113	1,403	1,401	100
Profit before loan impairment charges	2,208	2,811	79	1,090	1,118	97
Loan impairment charges	-82	2	-	-35	-48	-
Profit before tax	2,290	2,809	82	1,125	1,165	97
Lending (DKK bn)	613	576	106	613	608	101
Deposits (DKK bn)	242	238	102	242	232	104

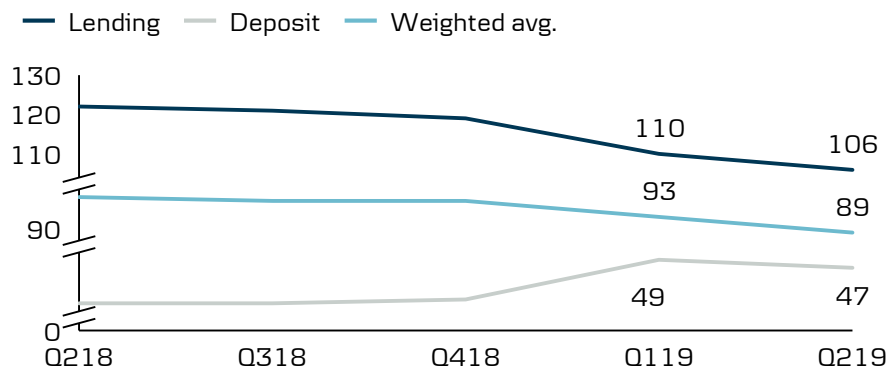
Key points

- Y/Y**
- NII down 5% as higher interest rates put pressure on margins
  - Expenses up 13% due to investments in compliance and AML
  - Lending up 6% with growth in all markets except Retail Finland
- Q/Q**
- NII down 1% as higher interest rates put pressure on margins
  - Expenses unchanged
  - Lending up 1%, driven mainly by Retail Norway and Commercial Finland

Banking Nordic NII bridge\* (DKK m)



Banking Nordic margins (bp)



\* Based on average volumes. \*\* Includes capital costs, day effect and off-balance-sheet items.

# Lending growth: Growth of 1% y/y at Banking DK and 6% at Banking Nordic

## Comments

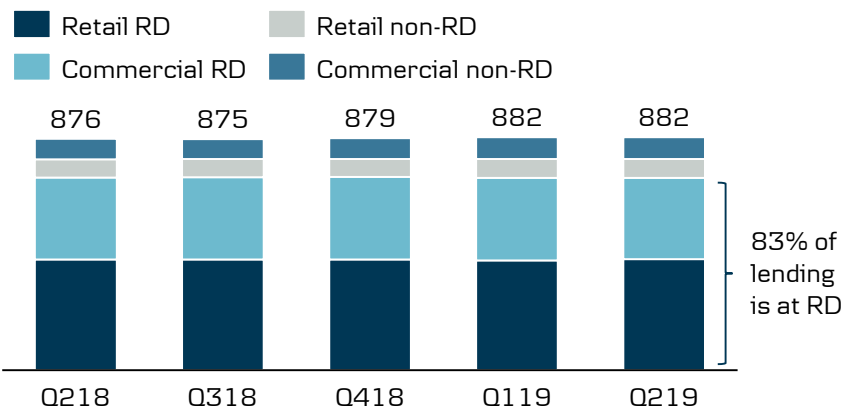
### Banking DK

- 83% of lending at Banking DK is at mortgage subsidiary Realkredit Danmark (RD)
- Growth of 1% y/y at Banking DK
- Lending flat q/q

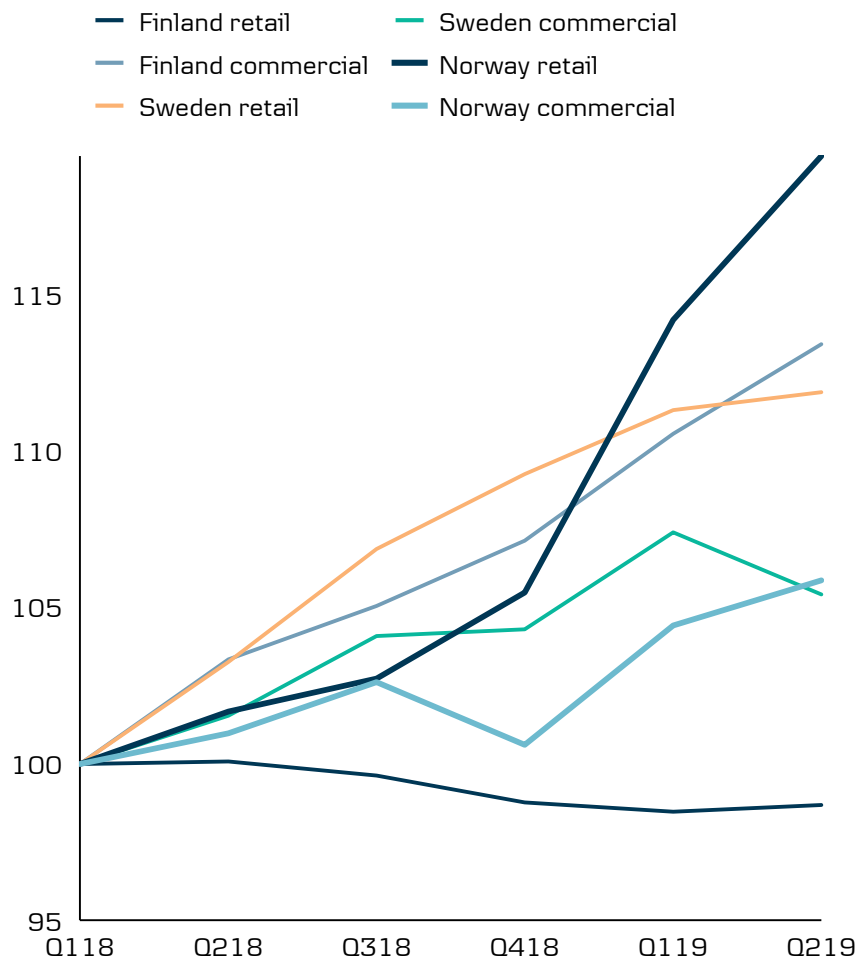
### Banking Nordic

- Solid growth of 6% y/y
- Retail Norway saw lending growth of 5% q/q following continued inflow from TEKNA (union for engineers)
- Commercial Finland grew 3% q/q while Retail Finland was stable

## Lending volume by segment at Banking DK (DKK bn)



## Banking Nordic: lending volume by segment and country\*



\* Based on local currency lending volumes.

# Corporates & Institutions: Challenging market conditions and higher impairment charges

## Income statement and key figures (DKK m)

	H1 2019	H1 2018	Index	Q2 2019	Q1 2019	Index
Net interest income	1,787	1,983	90	857	930	92
Net fee income	1,401	1,478	95	709	692	102
Net trading income	1,347	1,528	88	432	914	47
Other income	1	9	11	1	-	-
Total income	4,535	4,998	91	1,999	2,536	79
Expenses	2,388	2,405	99	1,184	1,204	98
Profit before loan impairment charges	2,147	2,593	83	815	1,332	61
Loan impairment charges	520	-132	-	300	221	136
Profit before tax	1,627	2,725	60	516	1,111	46
Lending (DKK bn)	203	191	106	203	195	104
Deposits (DKK bn)	271	269	101	271	264	102

## Key points

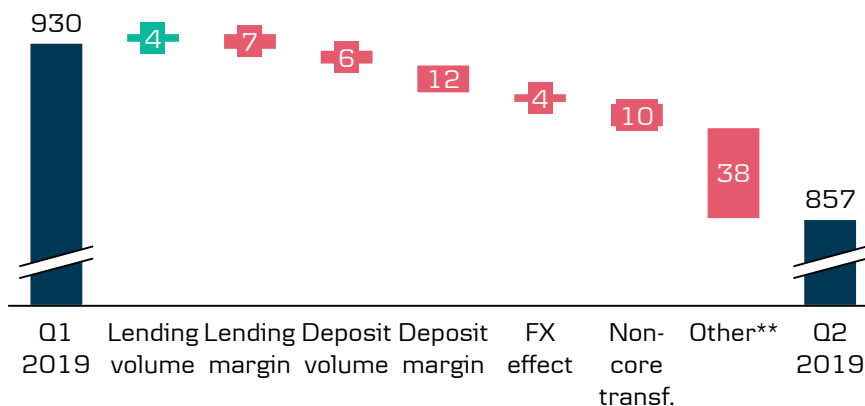
### y/y

- NII down 4% adjusted for the portfolio transfers to Non-core
- Expenses down 1%, driven by portfolio transfers and continued cost focus
- Lending up 6%, 7% adjusted for the transfers to Non-core

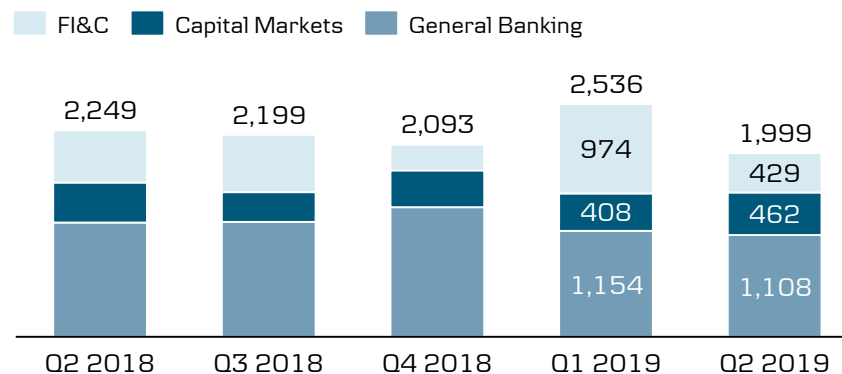
### Q/Q

- Trading income down in a very challenging environment
- Expenses down 2% due to lower activity
- Impairments relating to a few single-name exposures

## C&I NII bridge\* (DKK m)



## C&I income breakdown (DKK m)



\* Based on average volumes. \*\* Includes capital costs, day effect and off-balance-sheet items.

# Wealth Management: Gain of DKK 1.3 bn from the sale of Danica Pension Sweden; AuM flat adjusted for the sale

## Income statement and key figures (DKK m)

	H1 2019	H1 2018	Index	Q2 2019	Q1 2019	Index
Net interest income	335	366	92	160	175	91
Net fee income	3,842	3,423	112	1,894	1,947	97
Net trading income	-270	16	-	-156	-115	-
Other income	1,293	-47	-	1,342	-49	-
Total income	5,199	3,758	138	3,241	1,958	166
Expenses	2,663	2,146	124	1,438	1,225	117
Profit before loan impairment charges	2,536	1,612	157	1,803	733	246
Loan impairment charges	-30	-33	-	-27	-3	-
Profit before tax	2,566	1,645	156	1,830	736	249
Lending (DKK bn)*	82	77	106	82	78	106
Deposits (DKK bn)	73	71	103	73	71	104
AuM (DKK bn)	1,587	1,648	96	1,587	1,642	97

## Key points

### y/y

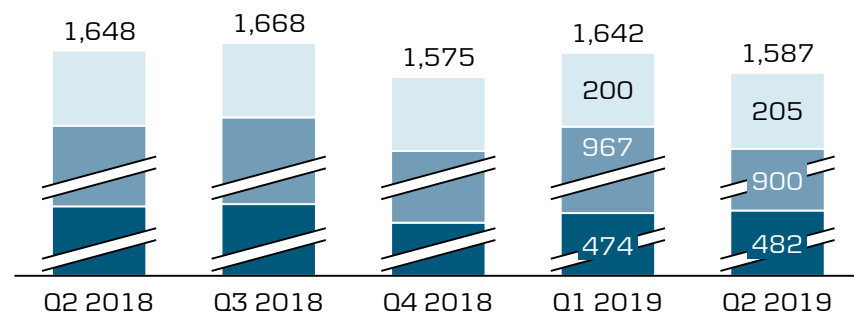
- AuM down 4%, owing mainly to sale of Danica Pension Sweden (DKK 64 bn)
- Net sales of DKK -6.5 bn in H1 2019
- Expenses up 24% due mainly to the acquisition of SEB Pension Danmark

### Q/Q

- Net sales of DKK -4.5 bn
- Sale of Danica Pension Sweden reduced AuM by 64 bn and fees by around DKK 60 m q/q
- Expenses up 17% due mainly to the Flexinvest Fri compensation

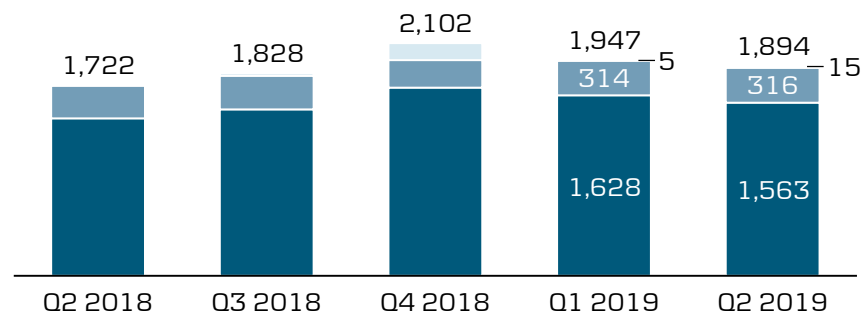
## AuM breakdown (DKK bn)

Life conventional Asset management Assets under advice\*\*



## Breakdown of net fee income (DKK m)

Performance fees Risk allowance fees Management fees



\* In Q2, a portfolio of loans was transferred from Banking DK to Wealth Management. At 31 March 2019, this amounted to a net impact of DKK +3 bn at Wealth Management.

\*\* Assets under advice from retail, commercial and private banking customers, where the investment decision is taken by the customer.

# Northern Ireland: Lending and NII up y/y despite continued Brexit uncertainty

Income statement and key figures (DKK m)

	H1 2019	H1 2018	Index	Q2 2019	Q1 2019	Index
Net interest income	765	736	104	379	386	98
Net fee income	189	201	94	93	96	97
Net trading income	70	41	171	40	30	133
Other income	7	6	117	4	3	133
<b>Total income</b>	<b>1,030</b>	<b>984</b>	<b>105</b>	<b>516</b>	<b>515</b>	<b>100</b>
Expenses	595	589	101	293	302	97
Profit before loan impairment charges	436	394	111	223	213	105
Loan impairment charges	14	50	28	28	-14	-
Profit before tax	421	344	122	195	227	86
Lending (DKK bn)	50	49	103	50	53	95
Deposits (DKK bn)	64	63	102	64	65	98

Key points

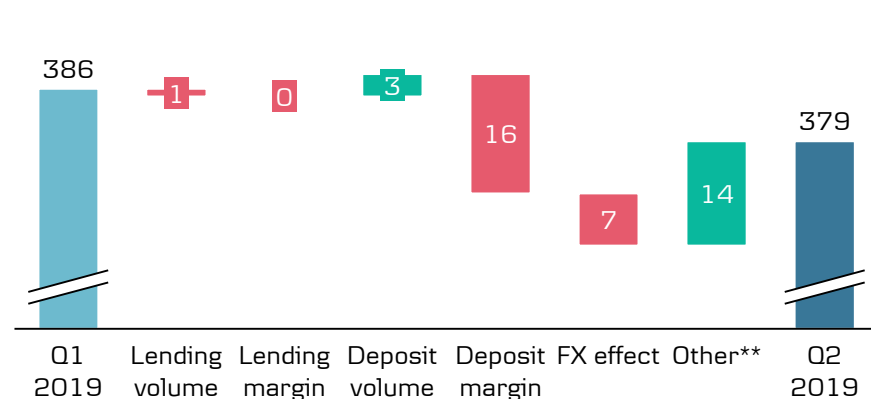
Y/Y

- Lending and NII up despite continued Brexit uncertainty
- Expenses up 1%, reflecting investments in new customer solutions

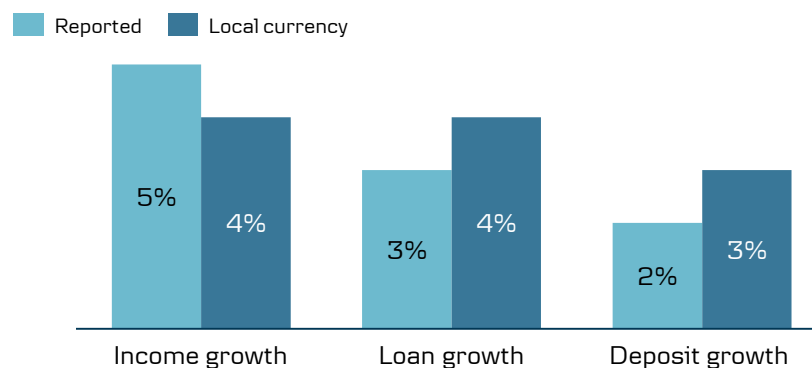
Q/Q

- Total income unchanged
- Expenses down 3%

Northern Ireland NII bridge\* (DKK m)



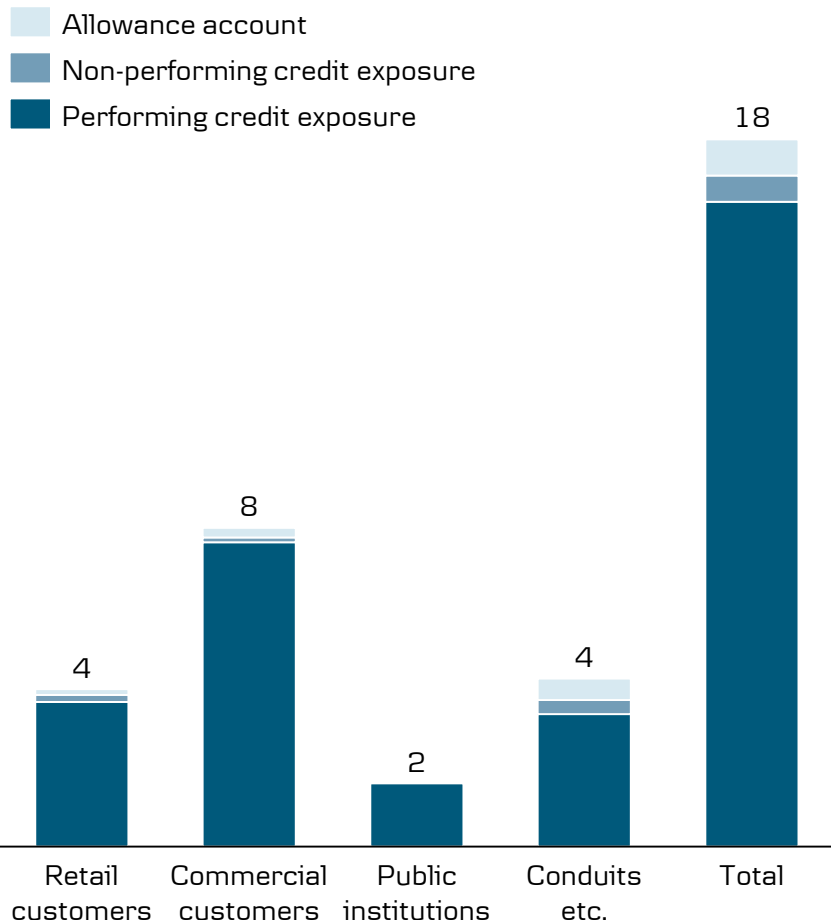
FX-adjusted developments y/y



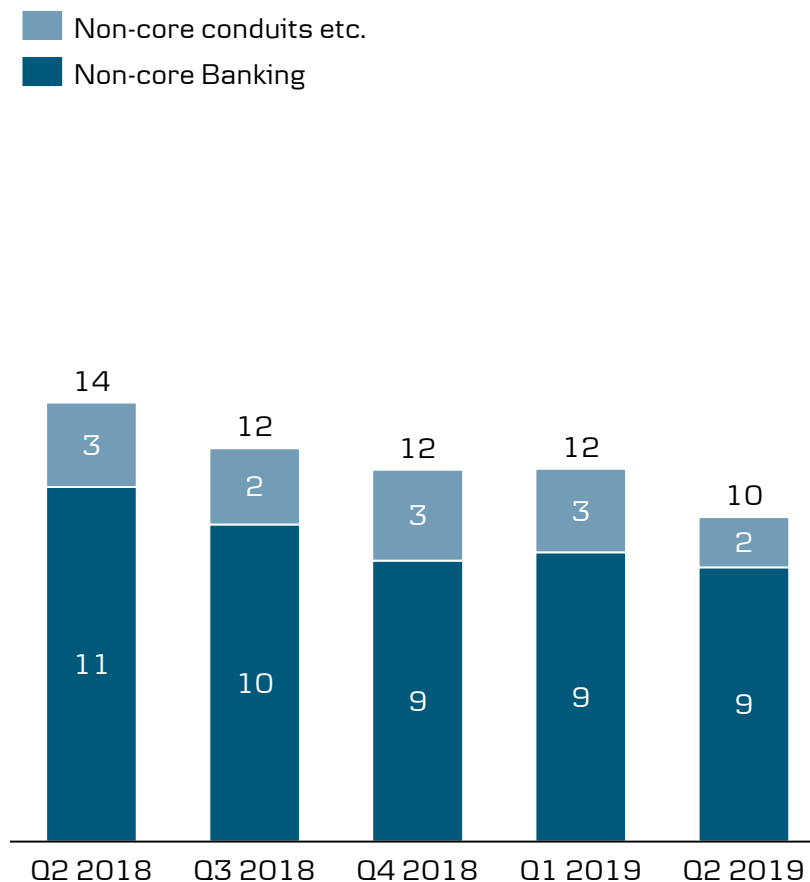
\* Based on average volumes. \*\* Includes capital costs, day effect and off-balance-sheet items.

# Non-core: Portfolio now includes all Baltic and Russian exposures, intended sale of retail portfolio in Estonia announced in June

Non-core loan portfolio, Q2 2019 (DKK bn)



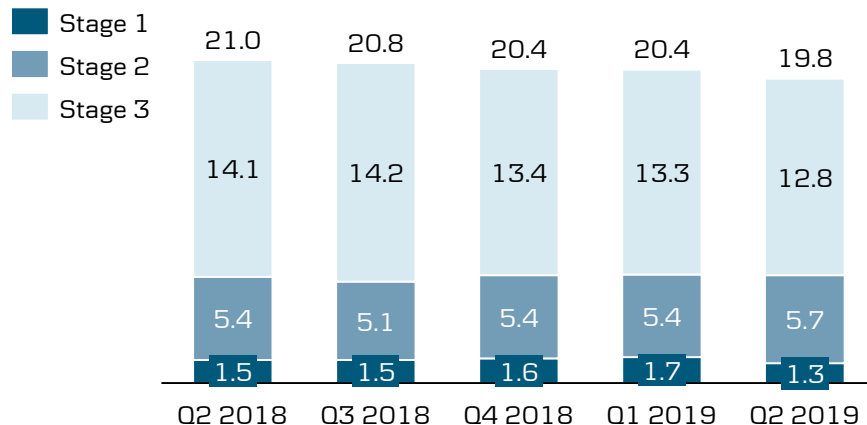
Non-core REA\* (DKK bn)



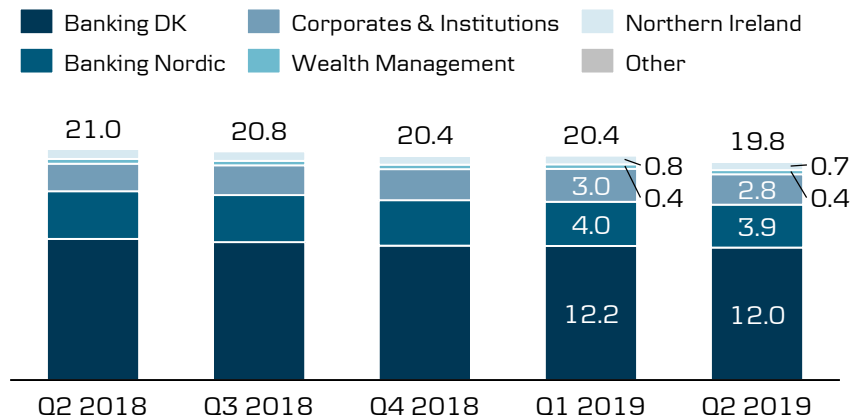
\* The increase in Non-core REA in Q2 2018 was due to the transfer of Baltic customers to the Non-core unit at 1 April 2018, which was made as a result of the repositioning of the Group's business activities in the Baltic countries. At 1 February 2019, the Russian exposure and the remaining part of the Baltic exposure were transferred to Non-core.

# Credit quality: NPLs decreased 2% y/y

Breakdown of core allowance account under IFRS 9 (DKK bn)



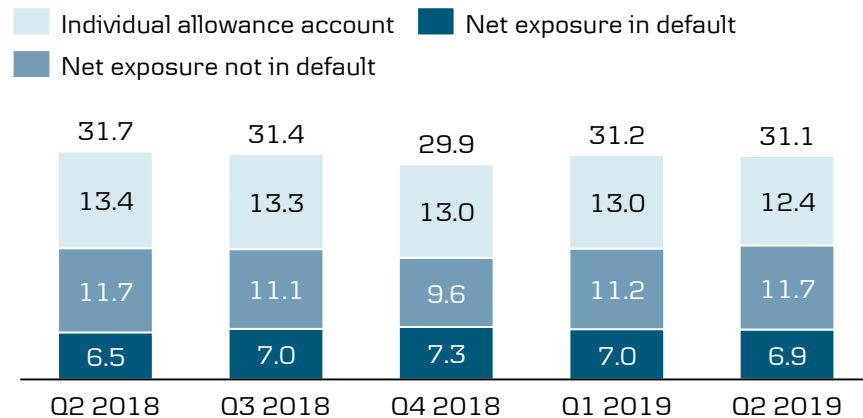
Core allowance account by business unit (DKK bn)



Breakdown of stage 2 allowance account and exposure (DKK bn)

End-Q2 2019	Allowance account	Gross credit exposure	Allowance as % of exposure
Retail customers	2.1	971.0	0.22%
Agriculture	1.3	75.4	1.74%
Commercial property	0.7	310.3	0.22%
Shipping, oil & gas	0.4	63.4	0.65%
Services	0.1	58.1	0.22%
Other	1.0	1,024.1	0.10%
<b>Total</b>	<b>5.7</b>	<b>2,502.4</b>	<b>0.23%</b>

Gross non-performing loans\* (DKK bn)



\* Non-performing loans are loans in stage 3 against which significant impairments have been made.



## Credit exposure: Limited agriculture and directly oil-related exposure

### Agriculture exposure [3.0% of Group exposure]

- Pork prices rose significantly in Q2 2019, while milk prices were unchanged. We have reduced management overlays against pork producers due to the improved outlook
- We reversed impairments of DKK 50 m in Q2. Total accumulated impairments amounted to DKK 3.3 bn, of which DKK 1.4 bn in stages 1 and 2
- Realkredit Danmark represented 53% of total gross exposure and 22% of expected credit losses
  - LTV limit at origination of 60% at Realkredit Danmark

### Oil-related exposure [0.7% of Group exposure]

- Net exposure was unchanged at DKK 17.0 bn\*
- Oil-related customers accounted for a significant share of the impairment expense of DKK 0.3 bn. at Corporates & Institutions in Q2
- Most of the oil-related exposure is managed by specialist teams for customer relationship and credit management at Corporates & Institutions
- Accumulated impairments amounted to DKK 1.9 bn, of which DKK 0.4 bn in stages 1 and 2

### Agriculture by segment, Q2 2019, DKK m

	Gross credit exposure	Portion from RD	Expected credit loss	Net credit exposure	NPL coverage ratio
Banking DK	50,505	39,932	3,117	47,389	88%
Growing of crops, cereals, etc.	19,316	16,144	586	18,730	91%
Dairy	9,135	6,961	1,015	8,120	82%
Pig breeding	11,998	9,083	1,239	10,759	93%
Mixed operations etc.	10,056	7,744	276	9,780	88%
Banking Nordic	12,313	-	140	12,173	102%
Northern Ireland	4,576	-	38	4,538	105%
C&I	5,409	1,964	4	5,404	-
Others	2,555	-	3	2,551	-
Total	75,358	41,896	3,302	72,056	89%

### Oil-related exposure, Q2 2019, DKK m

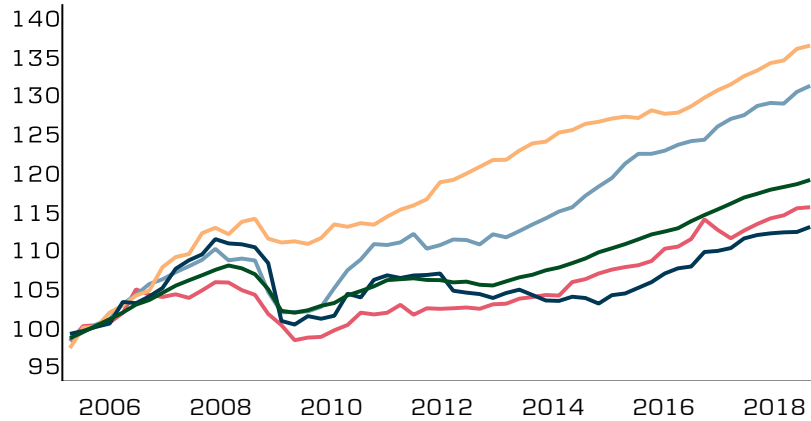
	Gross credit exposure	Expected credit loss	Net credit exposure
C&I	17,595	1,675	15,921
Oil majors	5,234	11	5,223
Oil service	5,748	246	5,502
Offshore	6,614	1,418	5,196
Banking DK and Banking Nordic	1,311	252	1,059
Oil majors	1	0	1
Oil service	1,179	251	928
Offshore	131	1	129
Others	8	0	8
Total	18,915	1,927	16,988

\* The credit exposure is reported as part of the Shipping, Oil & Gas industry in our Financial Report.

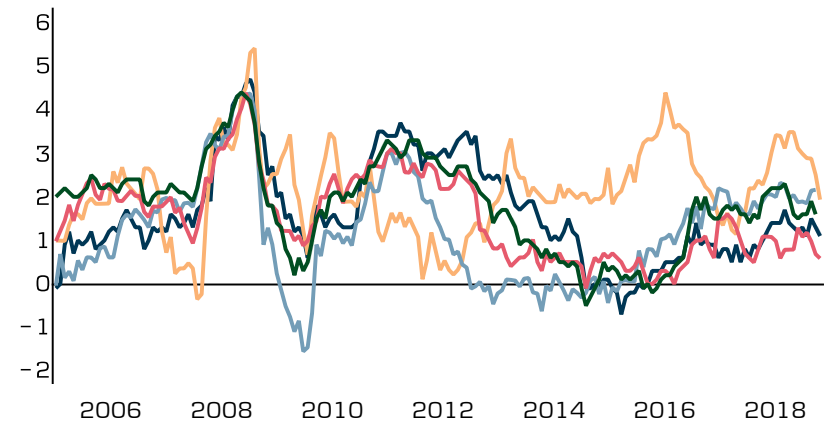
# Nordic macroeconomics

Denmark Sweden Norway Finland EU

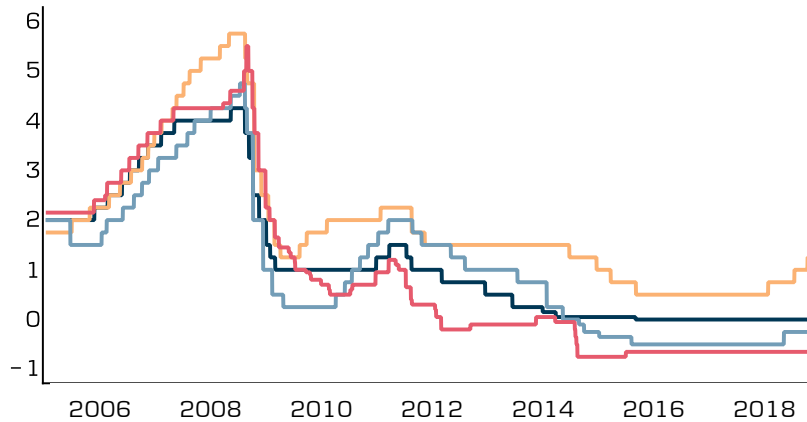
Real GDP, constant prices (index 2005 = 100)



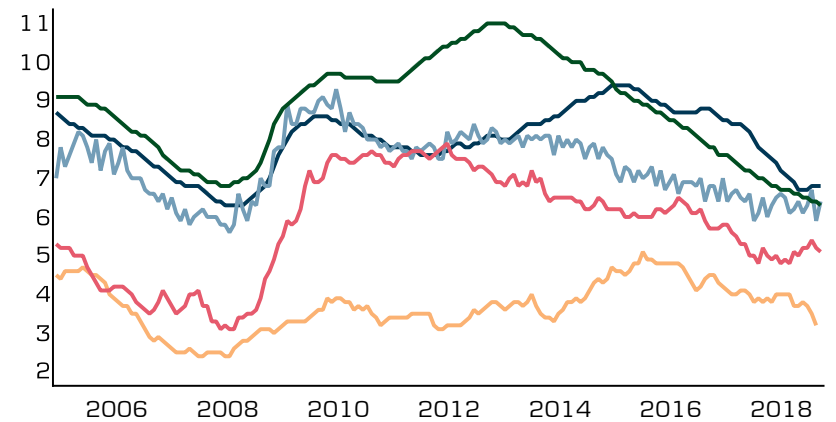
Inflation (%)



Interest rates, leading (%)



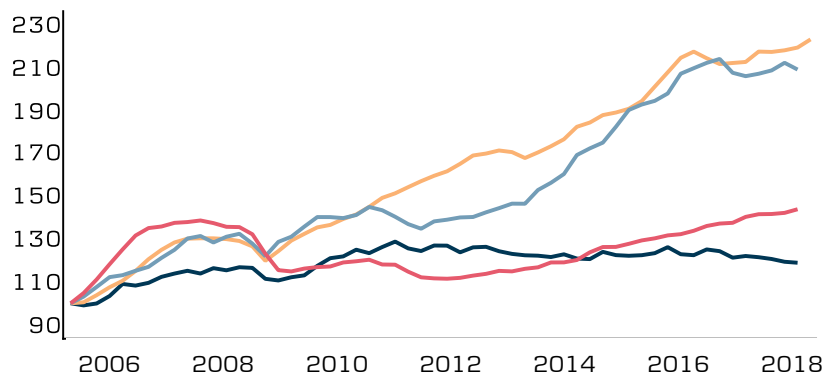
Unemployment (%)



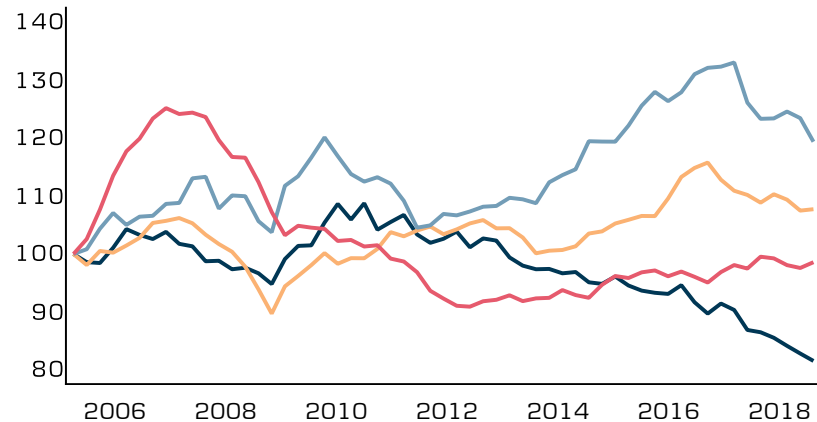
# Nordic housing markets

Denmark Sweden Norway Finland

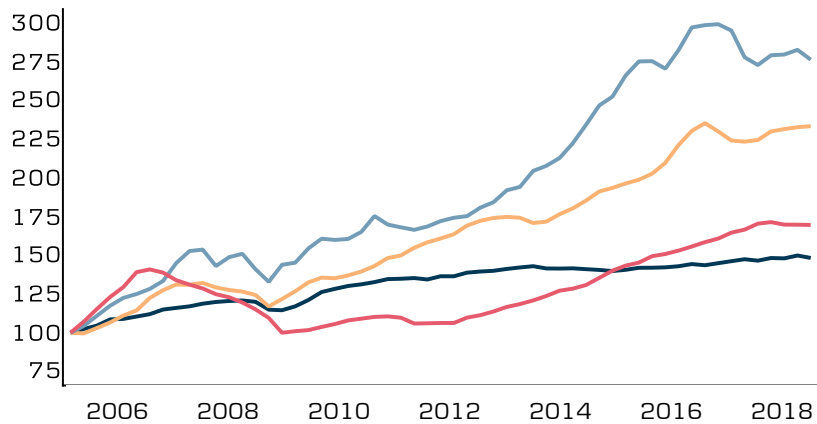
Property prices (index 2005 = 100)



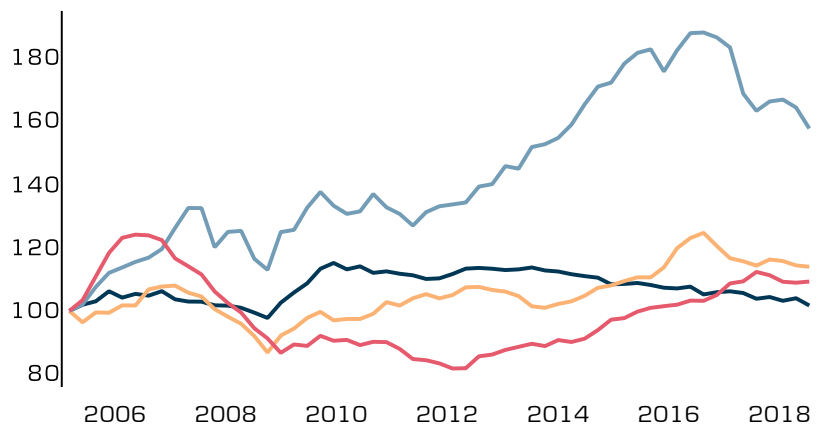
House prices/nom. GDP (index 2005 = 100)



Apartment prices (index 2005 = 100)



Apartment prices/nom. GDP (index 2005 = 100)



# Realkredit Danmark: Portfolio overview

## 76% of new retail lending in Q2 was fixed-rate vs 42% of stock

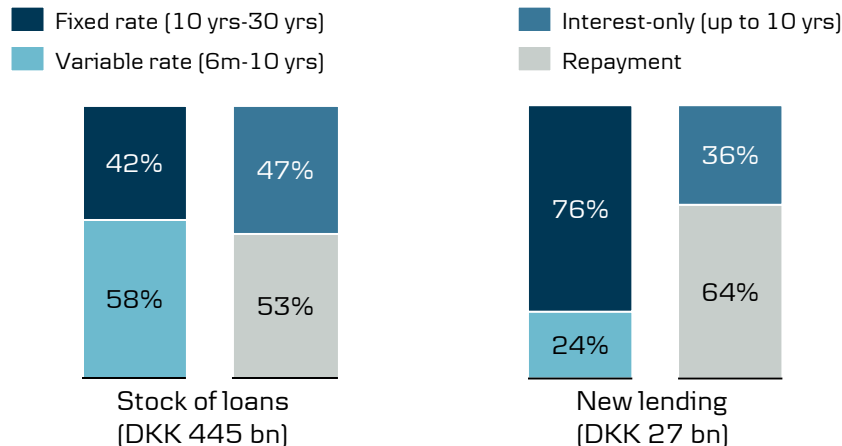
### Portfolio facts, Realkredit Danmark, Q2 2019

- Approx. 356,000 loans (residential and commercial)
- 1,282 loans in 3- and 6-month arrears (+5% since Q1)
- 22 repossessed properties
- DKK 9 bn in loans with LTV ratio > 100%, including DKK 5 bn covered by a public guarantee
- Average LTV ratio of 61%
- We comply with all five requirements of the supervisory diamond for Danish mortgage institutions

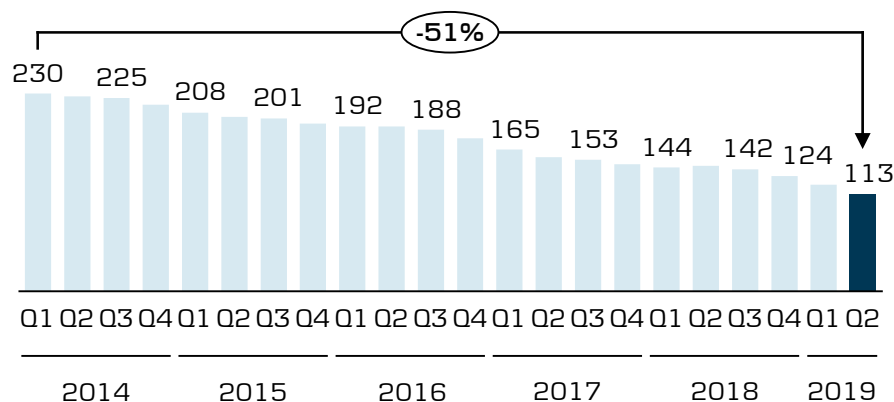
### LTV ratio at origination (legal requirement)

- Residential – max. 80%
- Commercial – max. 60%

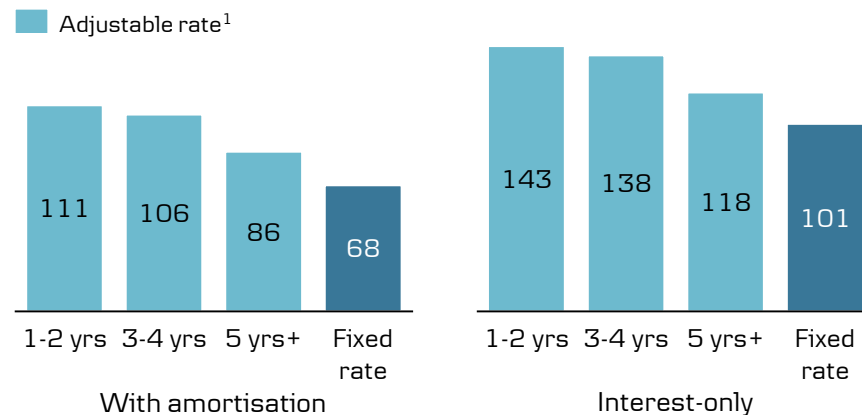
### Retail loans, Realkredit Danmark, Q2 2019 (%)



### Total RD loan portfolio of FlexLån® F1-F4 (DKK bn)



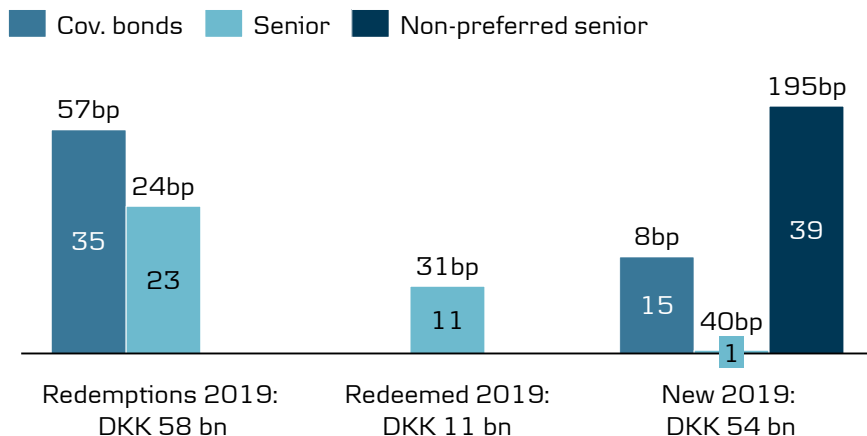
### Retail mortgage margins, 80% LTV, owner-occupied (bp)



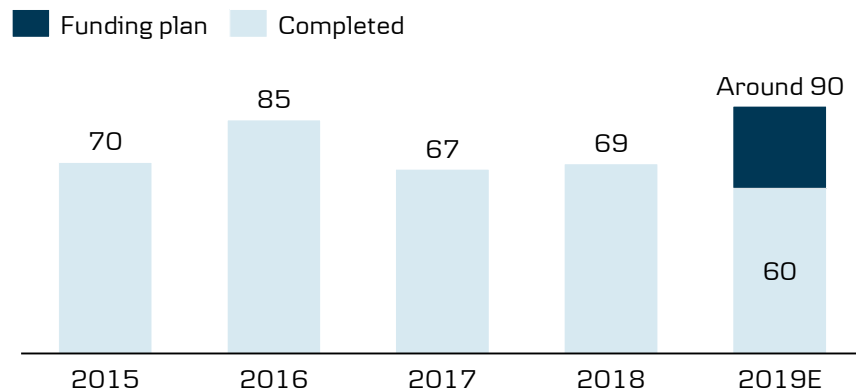
<sup>1</sup> In addition, we charge 30 bp of the bond price for refinancing of 1- and 2-year floaters and 20 bp for floaters of 3 or more years (booked as net trading income).

# Funding and liquidity: DKK 60 bn of long-term funding and capital instruments issued in H1 2019; LCR compliant at 129%

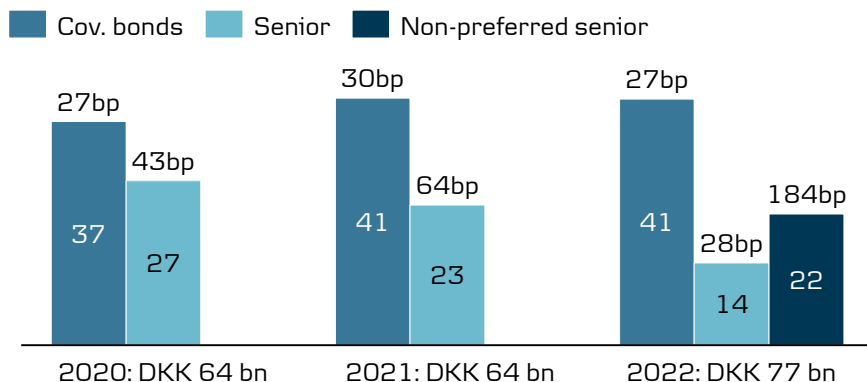
Changes in funding,\* 2018-2019 (DKK bn and bp)



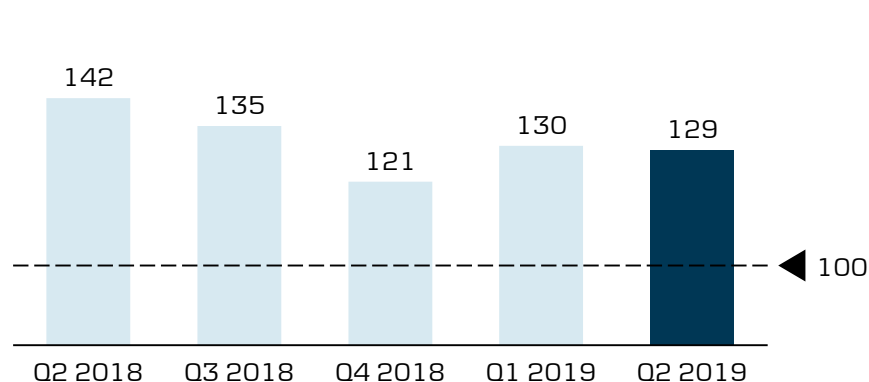
Long-term funding excl. RD (DKK bn)\*\*



Maturing funding,<sup>1</sup> 2020-2022 (DKK bn and bp)



Liquidity coverage ratio (%)

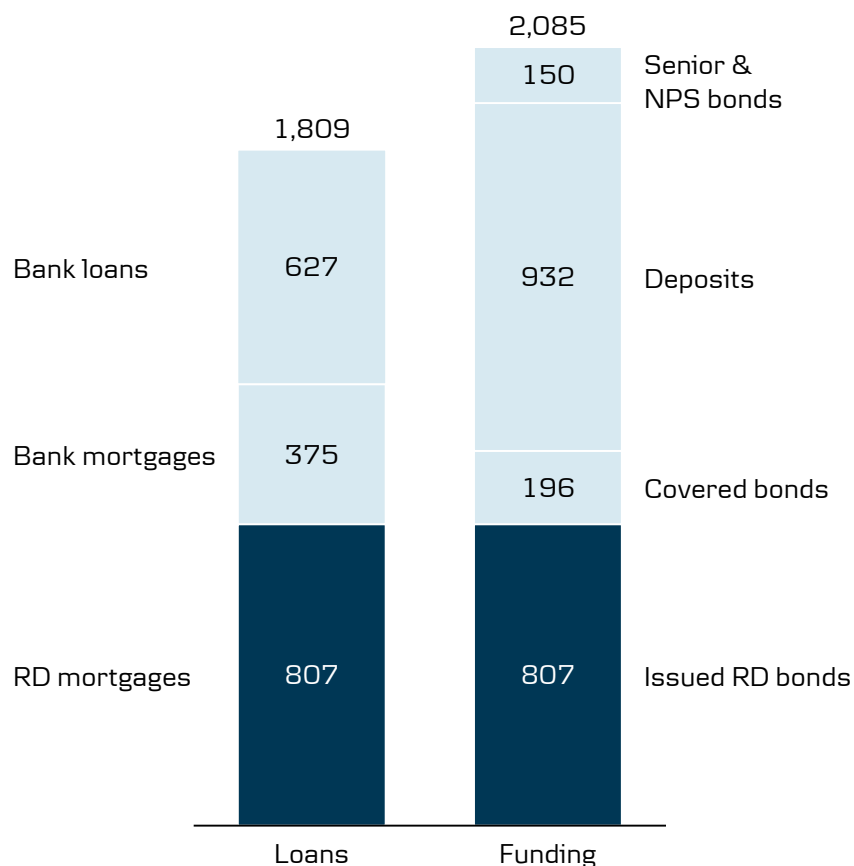


\* Spread over 3M EURIBOR.

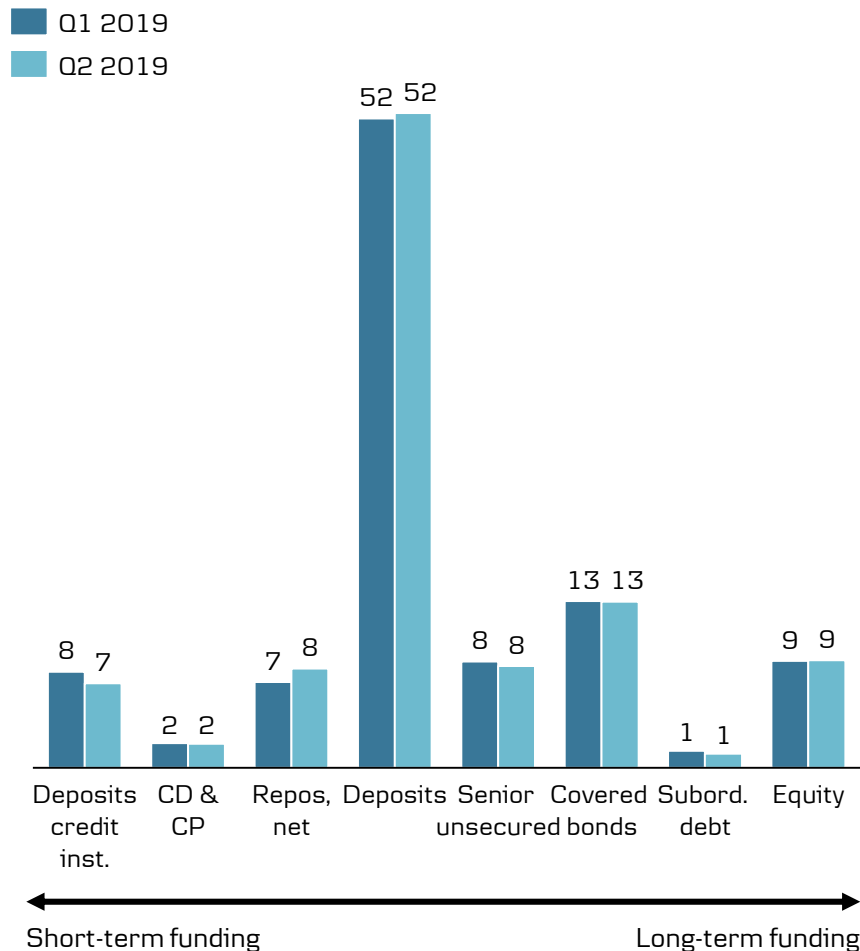
\*\* Includes covered bonds excl. RD, senior, non-preferred senior and capital instruments.

# Funding structure and sources: Danish mortgage system is fully pass-through

Loan portfolio and long-term funding, Q2 2019 (DKK bn)



Funding sources (%)



# Three distinct methods for rating banks

Danske Bank's rating

## Rating methodology

**S&P Global Ratings**

Anchor SACP <sup>1</sup>	+	1	+	2	+	3	+	4	=	SACP	=	Extra-ordinary support	+	ALAC	+	Additional factors	=	Issuer rating
bbb+		+1		+1		-1		0		a-		0		+1		0		A (Negative)

1=Business Position, 2=Capital & Earnings, 3=Risk Position, 4=Funding & Liquidity

**MOODY'S**

Macro profile	+	1	+	2	+	3	+	4	+	5	+	Qualitative factors	=	BCA <sup>2</sup>	+	Affiliate support	+	LGF <sup>3</sup>	+	Gov. support	=	Issuer rating
Strong Plus		baa1		a1		ba1		ba2		baa1		0		baa1		0		+1		+1		A2 (Negative)

1=Asset Risk, 2=Capital, 3=Profitability, 4=Funding Structure, 5=Liquidity resources

**FitchRatings**

Operating environment	+	1	+	2	+	3	+	4	+	5	+	6	+	7	=	Viability Rating	Support Rating Floor	=	Issuer rating <sup>5</sup>
aa-		a+		a		a+		a		a		a		a+		a	No Floor		A (Negative)

1=Company Profile, 2=Management/ Strategy, 3=Risk Appetite, 4=Asset Quality, 5=Profitability, 6=Capitalisation, 7=Funding/Liquidity

<sup>1</sup> Stand-Alone Credit Profile. <sup>2</sup> Baseline Credit Assessment. <sup>3</sup> Loss Given Failure. <sup>4</sup> No Floor. <sup>5</sup> Issuer rating is the higher of the Viability Rating and Support Rating Floor.

# Tax

## Actual and adjusted tax rates (DKK billions)

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Profit before tax	4,757	4,012	4,444	3,589	5,487
Permanent non-taxable difference	-1,853	164	476	1,170	-95
Adjusted pre-tax profit, Group	2,904	4,176	4,920	4,759	5,392
Tax according to P&L	725	1,024	1,029	1,107	1,256
Taxes from previous years	-65	-77	154	-39	-36
Adjusted tax	660	947	1,183	1,067	1,220
Adjusted tax rate	22.7%	22.7%	24.0%	22.4%	22.6%
Actual tax rate	15.2%	25.5%	23.2%	30.8%	22.9%

## Tax drivers, Q2 2019

- The actual tax rate of 15.2% is lower than the Danish rate of 22% due primarily to the permanent non-taxable difference
- The permanent non-taxable difference derives mainly from tax-exempt value adjustments on shares - primarily from the sale of Danica Pension Sweden
- The adjusted tax rate of 22.7% is higher than the Danish tax rate of 22% due to income in countries with higher tax rate - primarily Norway



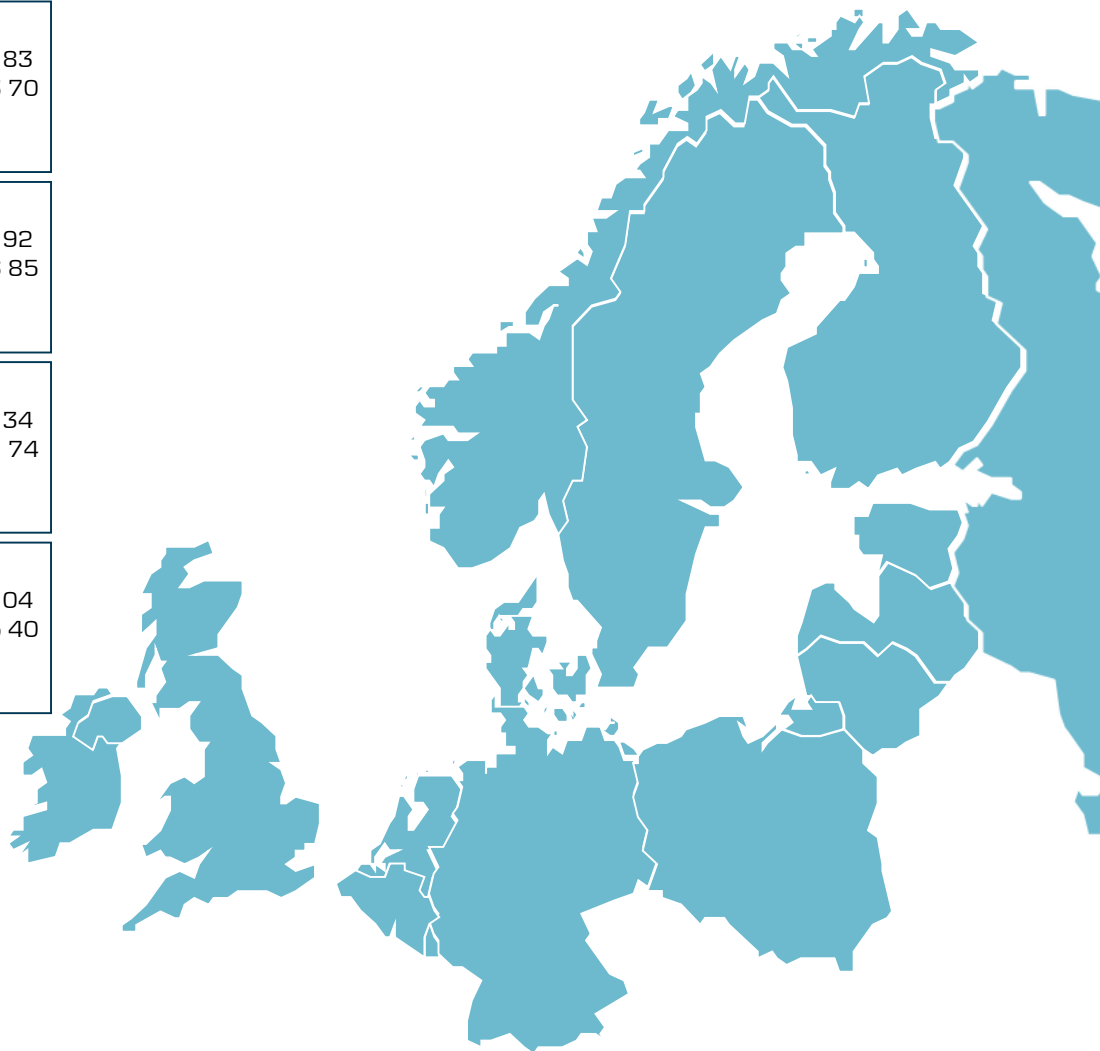
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